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The Toronto Iron Works, Limited Annual Report 1969





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	<u>1969</u>	<u>1968</u>
Sales	\$15,381,153	\$14,731,906
Consolidated profit before extraordinary items	\$ 630,335	\$ 414,896
Per share	\$ 1.57	\$ 1.03
Consolidated net profit after extraordinary items	\$ 871,222	\$ 640,076
Per share	\$ 2.17	1.59
Working capital (deficit)	\$ 799,911	\$ (431,332)
Shareholders equity	\$ 3,342,715	\$ 2,471,493
Per share	\$ 8.32	\$ 6.15
Number of shares outstanding	401,568	401,568
Number of shareholders	271	265
Number of employees	725	553

directors and officers

directors

John B. Clements, Q.C.
Partner, Lash, Johnston, Sheard & Pringle

George B. Kimpton
Vice-President, Toronto Star Limited

Henry E. Langford, Q.C.
President, The Toronto Iron Works, Limited

George I. MacKenzie
Retired Executive

William P. Petrie, C.A.
Vice-President and Treasurer, The Toronto Iron Works, Limited

Merrill C. Stafford
Retired Executive

William A. Stewart
Vice-President, Midland-Osler Securities Limited

officers

Henry E. Langford, Q.C.
President

Lawrence R. Wright
Executive Vice-President

William P. Petrie, C.A.
Vice-President and Treasurer

Donald M. Cameron
Vice-President and General Manager, Central Bridge Division

Gerald F. Carr
Vice-President and Assistant General Manager,
Plate Fabrication Division

Stewart L. Kerby
Vice-President and Assistant General Manager,
Plate Fabrication Division

John B. Clements, Q.C.
Secretary

Harry Johnston
Comptroller

bankers

The Bank of Nova Scotia
Bank of Montreal

transfer agent and registrar

Canada Permanent Trust Company,
1901 Yonge Street, Toronto 295

auditors

Clarkson, Gordon & Co., Chartered Accountants,
Toronto Dominion Centre, Toronto 111

report of the board of directors

TO THE SHAREHOLDERS :

Your directors take pleasure in presenting herewith the Annual Report of your Company for the year ended December 31st, 1969.

You will recall that at the annual and general meeting of the shareholders held on February 11th of this year the consolidated financial statements of the Company and its subsidiary, T.I.W. Western Limited, for the fiscal years 1967 and 1968 were presented. The consolidated financial statements contained in this Report for the year 1969 show continued growth and improvement in the affairs of your Company. You will note that the net profit for the year amounted to \$871,222 or \$2.17 per share. This represents a substantial increase from the net profit of \$640,076 or \$1.59 per share earned in the year 1968.

An even more important indication of your Company's successful operations is the increase in the operating profit before income tax and extraordinary items from \$843,896 for the year 1968 to \$1,332,335 for the year 1969 ; an increase of approximately sixty per cent.

The financial statements indicate satisfactory results for both the Plate Fabrication Division and the Central Bridge Division of the Company which in no small part are due to the fine work done for the Company by the members of the field, plant and office staffs. Your directors are pleased to record their appreciation of the loyalty, support and efforts of your Company's employees throughout the year.

The Company's subsidiary, Wimco Steel Sales Co. Limited has been in bankruptcy since early 1968. Wimco Steel has, however, continued to operate since that time under the supervision of a Court appointed receiver and manager. Your directors have been advised that during the year ended December 31st, 1969, the operations of the receiver and manager resulted in a net profit of approximately \$200,000 after all extraordinary items

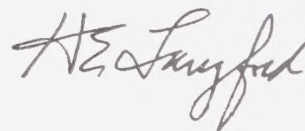
resulting from the receivership. It is still difficult to place a precise current value on your Company's investment in Wimco Steel since certain substantial receivables cannot yet be accurately appraised and since certain leasing arrangements respecting the galvanizing line situate in the Wimco Steel plant and used by Continuous Colour Coat Limited, while being negotiated, have not been finalized.

Following a thorough study of the Wimco Steel situation your directors have decided that it would be in the best interests of the Company to cause all such steps to be taken as may be necessary to have the receiving order made against Wimco Steel dismissed and the appointment of the receiver and manager terminated. To this end a Proposal under the Bankruptcy Act has been lodged with the Trustee in Bankruptcy of Wimco Steel. If the Proposal is accepted by its creditors and approved by the Court Wimco Steel will again become a wholly-owned operating subsidiary of your Company, its business and operations will be supervised by the management of your Company and its financial results can be consolidated with those of your Company. It is hoped that the future status of Wimco Steel will be settled within the next few weeks. In the meantime, your Company's management is co-operating closely with the receiver and manager in the supervision of the operations of Wimco Steel.

The first quarter of the year 1970 has been satisfactory for the Company, marking as it did a continuation of good business, the dismissal of the petition for a receiving order filed against it and the termination of the appointment of its interim receiver.

The current austerity measures being taken and proposed by governments and industry may well affect the construction industry as a whole and the rate of growth of the business of your Company later in the year.

On behalf of the Board.

A handwritten signature in dark ink, appearing to read "H.E. Langford". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

President

May 7, 1970

consolidated balance sheet

December 31, 1969

(with comparative figures as at December 31, 1968)

ASSETS

	<u>1969</u>	<u>1968</u>
Current :		
Cash	\$ 134,442	\$ 128,506
Bank deposit receipts	1,750,000	1,050,000
Accounts receivable, including holdbacks	3,909,622	2,135,697
Inventories, at lower of cost or net realizable value—		
Contracts in process (less advance billings— 1969—\$1,921,156 ; 1968—\$874,867)	665,816	475,093
Steel and supplies	<u>806,183</u>	<u>564,027</u>
	1,471,999	1,039,120
Prepaid expenses	<u>89,216</u>	<u>103,354</u>
Total current assets	<u>7,355,279</u>	<u>4,456,677</u>
Investment in unconsolidated subsidiary company (notes 1 and 2)	<u>1</u>	<u>1</u>
Fixed :		
Land, buildings and equipment, at cost	7,786,197	7,696,795
Less accumulated depreciation	<u>5,079,402</u>	<u>4,712,979</u>
	2,706,795	2,983,816
	<u>\$10,062,075</u>	<u>\$ 7,440,494</u>

On behalf of the Board :

H. E. Langford, Director

W. P. Petrie, Director

THE TORONTO IRON WORKS, LIMITED
and its subsidiary company T.I.W. Western Limited
(Incorporated under the laws of Ontario)

LIABILITIES

	<u>1969</u>	<u>1968</u>
Current :		
Accounts payable and accrued charges (notes 3(b) and (c))	\$ 6,114,564	\$ 4,765,339
Sales and other taxes payable	227,804	122,670
Deferred income taxes on holdbacks	213,000	
Total current liabilities	<u>6,555,368</u>	<u>4,888,009</u>
Deferred income taxes	296,000	
Less current portion included in current liabilities	<u>213,000</u>	<u>83,000</u>
Excess of net book value of consolidated subsidiary over cost of shares	<u>74,992</u>	<u>74,992</u>
Minority interest in preferred shares	<u>6,000</u>	<u>6,000</u>
Shareholders' Equity :		
Capital stock—		
Authorized :		
1,000,000 shares without par value		
Issued :		
401,568 shares	2,530,411	2,530,411
Retained earnings (deficit)	<u>812,304</u>	<u>(58,918)</u>
	<u>3,342,715</u>	<u>2,471,493</u>
	<u>\$10,062,075</u>	<u>\$ 7,440,494</u>

(See accompanying notes)

THE TORONTO IRON WORKS, LIMITED

For the year ended December 31, 1969 (*with comparative figures for 1968*)

CONSOLIDATED STATEMENT
OF SOURCE AND
DISPOSITION OF FUNDS

	<u>1969</u>	<u>1968</u>
Source of Funds :		
Operations—		
Net profit for the year	\$ 871,222	\$ 640,076
Add amounts deducted in arriving at net profit which did not involve an outlay of funds :		
Depreciation	399,306	493,429
Deferred income taxes (non-current portion)	83,000	
Total funds from operations	<u>1,353,528</u>	<u>1,133,505</u>
Realization of advances to subsidiary companies		1,110,000
Proceeds from disposal of fixed assets (net)		784,469
	<u>1,353,528</u>	<u>3,027,974</u>
Disposition of Funds :		
Decrease in long-term debt		628,457
Redemption of preference shares of T.I.W. Western Limited held by minority shareholder		44,000
Expenditures on fixed assets (net)	122,285	
	<u>122,285</u>	<u>672,457</u>
Increase in working capital	1,231,243	2,355,517
Working capital (deficit), beginning of year	(431,332)	(2,786,849)
Working capital (deficit), end of year	<u>\$ 799,911</u>	<u>\$ (431,332)</u>
Represented by :		
Current assets	\$ 7,355,279	\$ 4,456,677
Less current liabilities	6,555,368	4,888,009
	<u>\$ 799,911</u>	<u>\$ (431,332)</u>

(See accompanying notes)

CONSOLIDATED STATEMENT OF INCOME

	1969	1968
Sales	\$15,381,153	\$14,731,906
Operating profit for the year before the following deductions :	\$ 1,731,641	\$ 1,354,902
Depreciation	399,306	493,429
Interest on long-term debt		17,577
	399,306	511,006
Profit before income taxes and extraordinary items	1,332,335	843,896
Income taxes (including deferred income taxes of \$296,000 in 1969)	702,000	429,000
Profit before extraordinary items	630,335	414,896
Extraordinary items :		
Estimated fees of interim receiver and costs of other professional services relating to the interim receivership :		
1969— \$114,113 less resulting income tax reduction of \$61,000 ;		
1968— \$247,858 less resulting income tax reduction of \$117,000	(53,113)	(130,858)
Adjustment of loss on sale of subsidiary company		51,538
Income tax reductions resulting from the carry-forward of losses of prior years	294,000	304,500
Net profit for the year	\$ 871,222	\$ 640,076

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Deficit, beginning of year	\$ (58,918)	\$ (698,994)
Net profit for the year	871,222	640,076
Retained earnings (deficit), end of year	\$ 812,304	\$ (58,918)
Earnings per share of capital stock :		
Profit before extraordinary items	\$1.57	\$1.03
Extraordinary items	.60	.56
Net profit	\$2.17	\$1.59

(See accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1969

1. Basis of consolidation

The accounts of the Company have been consolidated with those of its subsidiary T.I.W. Western Limited. The investment in its subsidiary Wimco Steel Sales Co. Limited is carried in the accounts at \$1 as explained in Note 2.

2. Petitions in bankruptcy

On December 29, 1967 a petition in bankruptcy was filed against the Company by a creditor and on the same date The Clarkson Company Limited was appointed interim receiver of the property of the Company. (As explained in Note 3, the petition in bankruptcy was dismissed and the appointment of the interim receiver was terminated on February 12, 1970.)

On January 3, 1968, a petition in bankruptcy was filed against Wimco Steel Sales Co. Limited and this company was subsequently adjudged bankrupt. Since February 28, 1968, a receiver and manager, appointed by the Court and under the terms of a debenture, has been operating the business of this company. The investment in the shares of Wimco Steel Sales Co. Limited was written down to \$1 in 1967 and it is currently impossible to determine the recovery value, if any, of this investment.

3. Events subsequent to December 31, 1969

- (a) By Order of the Supreme Court of Ontario in Bankruptcy dated February 12, 1970, the petition in bankruptcy filed against the Company was dismissed and the appointment of the interim receiver was terminated. All interim receiver's certificates were surrendered and cancelled.
- (b) On February 12, 1970 the Company entered into an agreement with The Algoma Steel Corporation, Limited providing, among other things, for the deferment of the claim by The Algoma Steel Corporation, Limited against the Company in the amount of \$2,610,303 until September 30, 1970 and for the payment by the Company of interest thereon at the rate of 9½% per annum from the date of such agreement. This amount is included on the balance sheet in accounts payable and accrued charges.
- (c) Immediately after February 12, 1970 all undisputed outstanding indebtedness shown on the books of the Company and existing as at December 29, 1967 (\$1,102,550), other than the \$2,610,303 owing to The Algoma Steel Corporation, Limited, was paid in full.
- (d) On February 12, 1970, concurrent with the surrender and cancellation of all interim receiver's certificates, the Company pledged its debentures to the following persons and corporations in the priorities and amounts indicated below ; each of such debentures creates a fixed charge on the Company's realty and equipment thereon and a floating charge on the other assets of the Company as security for any amounts which may be owing thereon :

- (i) First priority—
Series A debentures of \$750,000 to each of the Bank of Montreal and The Bank of Nova Scotia as collateral security for any future borrowings by the Company from such banks ;
- (ii) Second priority—
Western Surety Company to the extent of \$3,000,000 as collateral security for the indemnification given to it to obtain performance bonds during interim receivership ;
- (iii) Third priority—
Lawrence R. Wright, William P. Petrie, Benton Dixon, Harry Johnston, George B. Kimpton and John B. Clements, directors and former directors of the Company, to the extent of \$200,000 in the aggregate as collateral security for the indemnification given to them as directors and officers of the Company in interim receivership ;
- (iv) Fourth priority—
The Clarkson Company Limited, as trustee for those persons who became creditors of the Company during interim receivership, to the extent of \$1,500,000 as collateral security for the payment of the amounts owing to such creditors as the same become due ; and
- (v) Fifth priority—
The Algoma Steel Corporation, Limited as collateral security for the payment to it on September 30, 1970 of the \$2,610,303 together with interest thereon referred to in note (b) above.

4. Contingent assets and liabilities

- (a) Since the filing of the petition in bankruptcy referred to in Note 2, certain shareholders and others have commenced litigation as follows :
 - (i) against a former director and a major steel supplier jointly for damages of \$10,000,000 and against the former director alone for an additional \$100,000. The claim should involve the Company in liability only to the extent that it may be required to indemnify the former director in the event that the action should succeed against him.

Counsel for the former director have advised that the action against him appears without merit.
 - (ii) against two suppliers and certain of their directors and officers and against the Company and certain of its directors and former directors, for damages, in a derivative action, of \$9,000,000. This action should not involve the Company in any liability. In the opinion of special counsel for the directors and counsel for the Company, the action is without merit and is improperly brought because of the lack of status of the plaintiff.

- (b) The Company has commenced an action claiming \$531,000 from a customer for additional charges in respect of a construction contract.
- (c) A claim for damages has been made against the Company by a customer, which in the opinion of the Company's counsel should not give rise to any significant liability.
- (d) The Company has entered into indemnity agreements with Wimco Industries (Eastern) Limited and certain of that Company's shareholders against losses which may arise by reason of certain guarantees given by them in respect of the operations of Wimco Steel Sales Co. Limited prior to May 20, 1966. Management knows of no outstanding guarantees which are likely to give rise to any significant liability as a result of such indemnity agreements.

5. Remuneration of directors and officers

The aggregate direct remuneration paid in 1969 by the Company and its subsidiaries to directors and senior officers (as defined by The Corporations Act, Ontario) amounted to \$158,878.

AUDITORS' REPORT

To the Shareholders of The Toronto Iron Works, Limited :

We have examined the consolidated balance sheet of The Toronto Iron Works, Limited and its subsidiary company, T.I.W. Western Limited, as at December 31, 1969 and the consolidated statements of income, retained earnings and source and disposition of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and disposition of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that The Clarkson Company Limited, the interim receiver appointed by the Court (Note 2), is associated with our firm.

Toronto, Canada,
April 15, 1970.

Clarkson, Gordon & Co.
Chartered Accountants

300,000 debts removed

3 debt removed < before Dec 31 / 70

Two debts -